EMRI BUSINESS CONFERENCE
15-16 March 2019
Edinburgh

EVALUATING BUSINESS ETHICS

The role of ethical theory

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OVERVIEW FOR TODAYS PRESENTATION

- Explain what Normative Ethical Theory is.
- Identify the role NET plays in business.
- Identify traditional ethical theories.
- Understand why Egoism, utilitarianism, duty, rights and justice are important.
- Explore alternative ethical theories such as virtue, discourse and postmodernism.
- Discuss the importance in a business context.

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WHAT ARE NORMATIVE ETHICAL THEORIES?

Ethical theories are the rules and principles that determine right and wrong for any given situation *Crane and Matten (2010)*

Normative ethical theories

A morally correct way of acting.

Descriptive ethical theories

Seek to describe how ethics decisions are actually made.

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ETHICAL THEORIES

Ethical theories are the rules and principles that determine right and wrong for any given situation
Crane and Matten (2010)

NORMATIVE ETHICAL THEORIES

A morally correct way of acting.

- ***A decision which enhances wellbeing and limits suffering.***
- ***Factually right or wrong/good or bad***
- ***Studied in philosophy and/or theology.***

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ETHICAL THEORIES

Ethical theories are the rules and principles that determine right and wrong for any given situation
Crane and Matten (2010)

DESCRIPTIVE ETHICAL THEORIES

Seek to describe how ethical decisions are made.

- ***Describe peoples moral beliefs.***
- ***A personal perspective on a decision which can bring pleasure or avoid displeasure.***

Studied in psychology, sociology, anthropology.

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THE ROLE OF ETHICAL THEORY

- Two extreme positions *(De George 1999)*

Ethical absolutism

Claims there are eternal, universally applicable moral principles

Ethical relativism

Claims morality is context-dependent and subjective

- *No universal right and wrongs that can be rationally determined.*
- *Depends on person making the decision and an interpretation of context and application.*

NORMATIVE ETHICAL THEORIES

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North American and European origins and differences

Differences between Anglo-American and European approaches based on philosophical arguments

INDIVIDUAL VERSUS INSTITUTIONAL MORALITY

US tend to individualistic perspective

Europe tend towards wider economic and governing institutions

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North American and European origins and differences

Differences between Anglo-American and European approaches based on philosophical arguments

QUESTIONING VERSUS ACCEPTING CAPITALISM

US accept the capitalist framework.

Europe question the ethical justification of capitalism.

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North American and European origins and differences

Differences between Anglo-American and European approaches based on philosophical arguments

JUSTIFYING VERSUS APPLYING MORAL NORMS

US focus on application of morality.

Europe focus on legitimation of justification and ethical norms.

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North American and European origins and differences

ASIAN CONSIDERATION

Some Asian perspectives on correct ethical perspectives draw heavily from religion (e.g. Islam, Buddhism)

Normative Ethical Theories

RELIGION

- Religious and philosophical theories tend to have the same aim: ~ WHICH IS: to inform us about the right things to do.

<u>TWO MAIN DIFFERENCES</u>

Normative Ethical Theories

RELIGION

DIFFERENCE 1

Sources of rules & principles.

- Religions typically invoke deities or organized systems of belief as the origins of normal and ethical positioning.
- Philosophically, typically stems from a belief in human reasoning to derive the norms.

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Normative Ethical Theories

RELIGION

DIFFERENCE 2

Consequences of morality (*or immorality*)

- Religions point to spiritual consequences, including enlightenment, reincarnation, damnation, and salvation.
- Philosophically, assume consequences as a matter of creating tangible benefits or harm.

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Traditional ethical theories

EGOISM
UTALITARIATISM
DUTY
RIGHTS & JUSTICE

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EGOISM

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Egoism

Theory of egoism - an action is morally right if the decision-maker freely decides an action to pursue either their (short-term) desires or their (long-term) interests.

- Adam Smith (1793):

Pursuit of individual interest morally acceptable as invisible hand of market creates benefit for all

This view relies on free competition and good information '*Enlightened egoism*'

This result comes about because people generally are the best judges of what is in their own interest, therefore are much more motivated to work hard to benefit themselves than to achieve any other goal

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Problems with Egoism

Theory of egoism - an action is morally right if the decision-maker freely decides an action to pursue either their (short-term) desires or their (long-term) interests.

Ethical egoism has no solutions to offer when a problem arises involving conflicts of interest.

- Markets do not function perfectly
- Ongoing sustainability debate
- Market hype is full of FAKE NEWS
- Nothing starts from a perfect starting point

EXAMPLE: A company wants to empty waste product into a river; many workers employed by the company live downstream and object to this practice.

Ethical egoism advises both parties to actively pursue what they want.

It does not suggest any sort of foundation for a resolution.

Utilitarianism

UTILITARIANISM

- Utilitarianism is an action which is morally right if it results in the greatest amount of good for the greatest number of people affected by the action.

  - Also called the 'greatest happiness principle'
  - Based on cost-benefit analysis

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Problems with Utilitarianism

Subjectivity

Act- and Rule-Utilitarianism

Act utilitarianism

- Looks to single actions and bases the moral judgement on the amount of pleasure and the amount of pain this single action causes.

Rule utilitarianism

- looks at classes of action and ask whether the underlying principles of an action produce more pleasure than pain for society in the long run.

DUTIES

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Ethics of duties

'Categorical Imperative' (Kant 1724-1804)

Categorical imperative, comes from Immanuel Kant, founder of critical philosophy18th-century - he was a German philosopher

Kant stated that a moral law is a position which is unconditional or absolute for all agents. Thus, the validity or claim of which does not depend on any ulterior motive or end.

Example, "Thou shalt not steal," is categorical.

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Ethics of duties

'Categorical Imperative' *(Kant)*

Consistency

- Act only according to that maxim by which you can, at the same time, will that it should become a universal law.

Human Dignity

- Act so that you treat humanity, whether in your own person or in that of another, always as an end and never as a means.

Universality

- Act only so that the will through its maxims could regard itself at the same time as universally lawgiving

(would others agree? Would you be happy to see your decision reported in the press?)

Ethics of duties

Ethics are concerned with what people do,

not with the consequences of their actions.

Do the right thing.

Do it because it's the right thing to do.

Don't do wrong things.

Avoid them because they are wrong.

Under this form of ethics you can't justify an action by showing that it produced good consequences, which is why it's sometimes called 'non-Consequentialist'.

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Ethics of duties

Duty-based ethics or 'the principle of the matter' individualise acts which are right or wrong based on the conception of the 'act' itself.

YOU have a duty to act accordingly

regardless of the consequences.

Q: Are some kinds of actions wrong or right in themselves,

regardless of the consequences.

- It is wrong to steal
- It is wrong to tell lies
- It is right to keep promises

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Ethics of duties

Kant thought that it would be wrong to tell a lie in order to save a friend from an assailant.

BY THIS THINKING

A person is doing something good, only if they are doing a morally right action.

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Problems with ethics of duties

Undervaluing outcomes

Complexity

Misplaced optimism?

PROBLEMS WITH ETHICS OF DUTIES

ADDITIONAL SOURCES OF INTEREST

https://plato.stanford.edu/entries/ethics-deontological/

http://plato.stanford.edu/entries/kant-moral/

http://www.bbc.co.uk/radio4/history/inourtime/greatest_philosopher_immanuel_kant.shtml

http://www.bbc.co.uk/ethics/introduction/duty_1.shtml#h1

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RIGHTS AND JUSTICE

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John Rawls's 'Theory of Justice'

Each person is to have an equal right to the most extensive total system of basic liberties compatible with a similar system of liberty for all.

Social and economic inequalities are to be arranged so that they are both:

- to the greatest benefit of the least advantaged;
- open to all under conditions of fair equality of opportunity.

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Ethics of rights and justice

HUMAN RIGHTS

Basic, inalienable entitlements that are inherent to all human beings, without exception.

Based on consensus about nature of human dignity.

Increasingly important: enshrined in principles of UN Global Compact and the "Ruggie Principles".

Ethics of rights and justice

JUSTICE

- The simultaneously fair treatment of individuals in a given situation with the result that everybody gets what they deserve
  - Fair procedures (procedural justice)
  - Fair outcomes (distributive justice)

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LIMITS OF TRADITIONAL THEORIES

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LIMITS OF TRADITIONAL THEORIES

- **Too abstract**
- **Too reductionist**
- **Too objective and elitist**
- **Too impersonal**
- **Too rational and codified**
- **Too imperialist**

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Alternative perspectives on ethical theory

Approaches based on character and integrity

Virtue ethics

Contends that morally correct actions are those undertaken by actors with virtuous characters.

Therefore, the formation of a virtuous character is the first step towards morally correct behaviour

Acquired traits

Intellectual virtues

Moral virtues

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Approaches based on ethics and responsibility

Feminist ethics

An approach that prioritizes empathy, harmonious and healthy social relationships, care for one another, and avoidance of harm above abstract principles

Key elements

- Relationships
  - Decisions taken in context of personal human interrelations
- Responsibility
  - Active 'taking' of responsibility, rather than merely 'having' it

Experience

Learn and develop from experience

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Approaches based on procedures of norm generation

Discourse ethics

Aims to solve ethical conflicts by providing a process of norm generation through rational reflection on the real-life experiences of all relevant participants

Key elements

- Ultimate goal of ethical issues in business should be the *peaceful settlement of conflicts*
- Different parties in a conflict should sit together and engage in a *discourse* about the settlement of the conflict, and ultimately provide a situation that is acceptable to all
- This is called an 'ideal discourse' criteria

Approaches based on empathy and moral impulse

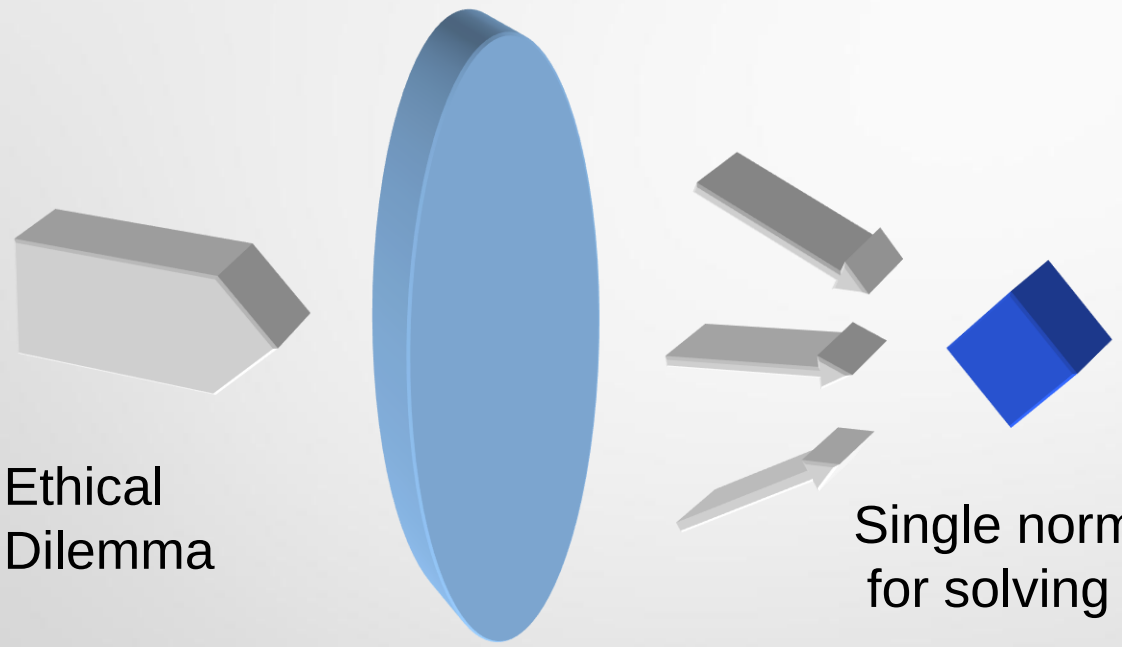
Postmodern ethics

An approach that locates morality beyond the sphere of rationality in an emotional 'moral impulse' towards others. It encourages individual actors to question everyday practices and rules, and to listen to and follow their emotions, inner convictions and 'gut feelings' about what they think is right and wrong in a particular incident of decision-making.

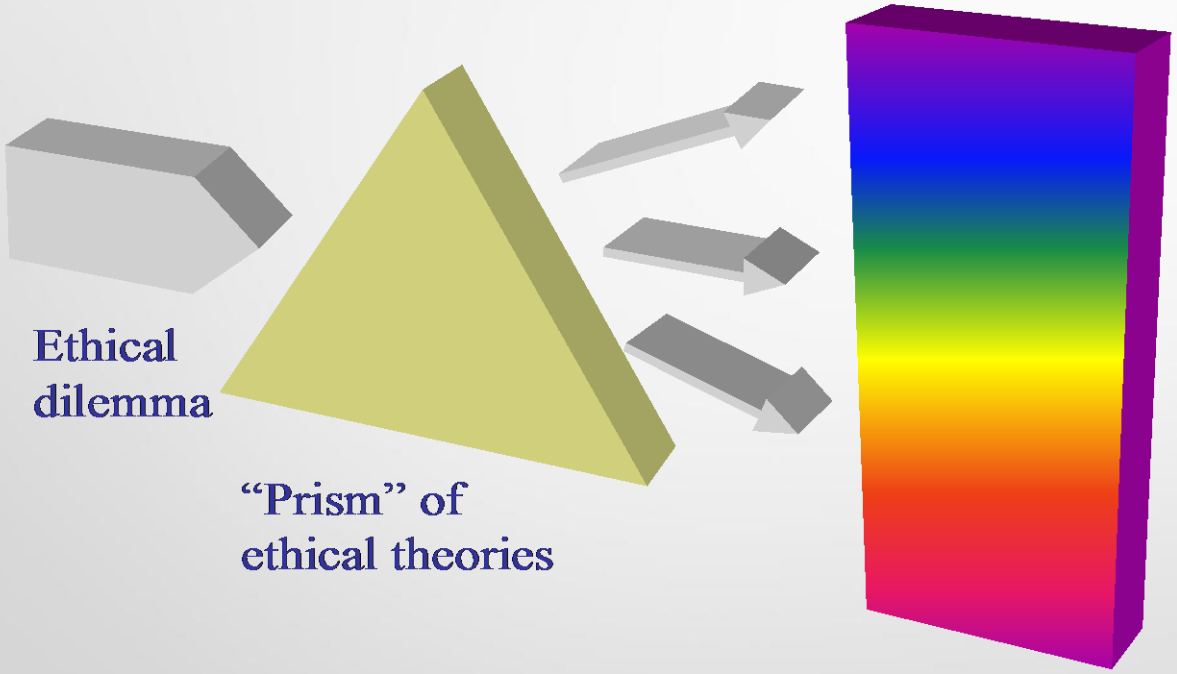
- **Postmodern business ethics emphasises (Gustafson, 2000:21)**
  - Holistic approach
  - Examples rather than principles
  - 'Think local, act local'
  - Preliminary character

Use of ethical theory in a business context

Typical Perspective



Pluralistic Perspective



Pluralism?

Crane and Matten (2010) argue that for the practical purpose of making effective decisions in business:

- Not suggest one theory or one approach as the best or true view of a moral dilemma
- Suggest that <u>all</u> these theoretical approaches throw light from different angles on one and same problem
- Complementary rather than mutually exclusive

Advocate position of ***pluralism***

Summary

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